

**Village of Eagle
Clinton County, Michigan**

FINANCIAL STATEMENTS

March 31, 2008

Village of Eagle
Clinton County, Michigan
March 31, 2008
BOARD OF TRUSTEES

Paul Bruder	President
Mildred Cooper	Clerk
Michelle Kincaid	Treasurer
Kyle Stiffler	Trustee
Kathryn Momany	Trustee
Geneva Leonard	Trustee
Gregory Zoll	Trustee
Thomas Feldpausch	Trustee

Village of Eagle
TABLE OF CONTENTS
March 31, 2008

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	i
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Assets	1
Statement of Activities	2
Fund Financial Statements	
Governmental Fund Balance Sheet	3
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Assets	4
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Fund	5
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of the Governmental Fund to the Statement of Activities	6
Notes to Financial Statements	7-13
REQUIRED SUPPLEMENTARY INFORMATION	
GENERAL FUND	
Budgetary Comparison Schedule	14
MAJOR STREET FUND	
Budgetary Comparison Schedule	15
LOCAL STREET FUND	
Budgetary Comparison Schedule	16

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INDEPENDENT AUDITOR'S REPORT

To the Honorable President and
Members of the Village Council
Village of Eagle
Clinton County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the Village of Eagle, Michigan as of and for the year ended March 31, 2008, which collective comprise the Village's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Village of Eagle's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Village of Eagle as of March 31, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison information, as identified in the Table of Contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Village has not presented a management's discussion and analysis (MD&A), which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that the MD&A is necessary to supplement, although not required to be part of the basic financial statements.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

August 18, 2008

BASIC FINANCIAL STATEMENTS

Village of Eagle
STATEMENT OF NET ASSETS
March 31, 2008

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 79,512
Due from other governmental units	<u>2,275</u>
Total current assets	81,787
Noncurrent assets	
Investments	324,689
Capital assets not being depreciated	31,525
Capital assets, net of accumulated depreciation	<u>64,159</u>
Total noncurrent assets	<u>420,373</u>
TOTAL ASSETS	502,160
LIABILITIES	-
NET ASSETS	
Invested in capital assets	95,684
Restricted for streets and highways	13,160
Unrestricted	<u>393,316</u>
TOTAL NET ASSETS	<u><u>\$ 502,160</u></u>

See accompanying notes to financial statements.

Village of Eagle

STATEMENT OF ACTIVITIES

Year Ended March 31, 2008

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
General government	\$ 4,844	\$ 13,016	\$ -	\$ 8,172
Public works	19,148	-	12,897	(6,251)
Total governmental activities	<u>\$ 23,992</u>	<u>\$ 13,016</u>	<u>\$ 12,897</u>	1,921
General revenues:				
Property taxes				13,627
State shared revenue				10,221
Investment earnings				<u>11,120</u>
Total general revenues				<u>34,968</u>
Change in net assets				36,889
Net assets, beginning of the year				<u>465,271</u>
Net assets, end of the year				<u>\$ 502,160</u>

See accompanying notes to financial statements.

Village of Eagle

GOVERNMENTAL FUNDS BALANCE SHEET

March 31, 2008

	General	Major Street	Local Street	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 68,627	\$ 3,712	\$ 7,173	\$ 79,512
Investments	324,689	-	-	324,689
Due from other governmental units	-	1,576	699	2,275
TOTAL ASSETS	<u>\$ 393,316</u>	<u>\$ 5,288</u>	<u>\$ 7,872</u>	<u>\$ 406,476</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES	\$ -	\$ -	\$ -	\$ -0-
FUND BALANCES				
Unreserved				
Undesignated, reported in				
General fund	393,316	-	-	393,316
Special revenue funds	-	5,288	7,872	13,160
TOTAL FUND BALANCES	<u>393,316</u>	<u>5,288</u>	<u>7,872</u>	<u>406,476</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 393,316</u>	<u>\$ 5,288</u>	<u>\$ 7,872</u>	<u>\$ 406,476</u>

See accompanying notes to financial statements.

Village of Eagle

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

March 31, 2008

Total fund balance - governmental funds \$ 406,476

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 104,716
Accumulated depreciation is	<u>(9,032)</u>

Capital assets, net	<u>95,684</u>
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Net assets of governmental activities	<u><u>\$ 502,160</u></u>
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See accompanying notes to financial statements.

Village of Eagle

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS

Year Ended March 31, 2008

	General	Major Street	Local Street	Total Governmental Funds
REVENUES				
Taxes	\$ 13,627	\$ -	\$ -	\$ 13,627
Intergovernmental	10,221	8,937	3,960	23,118
Interest and rents	24,136	-	-	24,136
TOTAL REVENUES	47,984	8,937	3,960	60,881
EXPENDITURES				
Current				
General government	4,389	-	-	4,389
Public works	8,732	3,943	17,927	30,602
Other	2,238	-	-	2,238
TOTAL EXPENDITURES	15,359	3,943	17,927	37,229
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	32,625	4,994	(13,967)	23,652
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	17,000	17,000
Transfers out	(10,000)	(7,000)	-	(17,000)
TOTAL OTHER FINANCING SOURCES (USES)	(10,000)	(7,000)	17,000	-0-
NET CHANGE IN FUND BALANCES	22,625	(2,006)	3,033	23,652
Fund balances, beginning of year	370,691	7,294	4,839	382,824
Fund balances, end of year	\$ 393,316	\$ 5,288	\$ 7,872	\$ 406,476

See accompanying notes to financial statements.

Village of Eagle

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended March 31, 2008

Net change in fund balances - total governmental funds \$ 23,652

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 16,831	
Depreciation expense	<u>(3,594)</u>	
Excess of capital outlay over depreciation expense		<u>13,237</u>
Change in net assets of governmental activities		<u><u>\$ 36,889</u></u>

See accompanying notes to financial statements.

Village of Eagle

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

NOTE A: DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Eagle is located in Clinton County, Michigan and has a population of approximately 130. The Village of Eagle operates with a Village President/Council form of government and provides services to its residents in many areas including general government, highways and streets, and human services.

The Village Council is made up of the Village President, Clerk, Treasurer, and six (6) trustees who are selected at large for overlapping four year terms.

The financial statements of the Village have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to Village governments. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Village's more significant accounting policies are described below.

1. Reporting Entity

As required by generally accepted accounting principles; GASB Statement 14, *The Financial Reporting Entity* (as amended by GASB statement No. 39); and *Statement on Michigan Governmental Accounting and Auditing No. 5*; these financial statements present all financial activities of the Village of Eagle. The Village has no activities that would be classified as component units.

The inclusion of the activities of various agencies is based on the manifestation of oversight criteria, relying on such guidelines as the selection of the governing authority, the designation of management, the ability to exert significant influence on operations, and the accountability for fiscal matters. The accountability for fiscal matters considers the possession of the budgetary authority, the responsibility for surplus or deficit, the controlling of fiscal management, and the revenue characteristics, whether a levy or a charge. Consideration is also given to the scope of public service. The scope of public service considers whether the activity is for the benefit of the reporting entity and/or its residents and is within the geographic boundaries of the reporting entity and generally available to its citizens.

Based upon the application of these criteria, the financial statements of the Village of Eagle contain all the funds controlled by the Village Council.

2. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the primary government as a whole. All activities of the primary government are included. For the most part, interfund activity has been eliminated in the preparation of these statements.

The statement of activities presents the direct functional expenses of the primary government and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the Village's individual major funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

NOTE A: DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The major funds of the village are:

- a. The General Fund is the Village's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Major Street Fund is used to account for the financial resources that are used for repairs and maintenance of the Village's major streets.
- c. The Local Street Fund is used to account for the financial resources that are used for repairs and maintenance of the Village's local streets.

3. Measurement Focus

The government-wide financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

4. Basis of Accounting

Basis of accounting refers to the timing under which transactions are recognized for financial reporting purposes. Governmental fund financial statements use the modified accrual basis of accounting. The Government-wide financial statements are prepared using the accrual basis of accounting.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used to define "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues that are considered measurable but not available are recorded as a receivable and deferred revenue. Significant revenues susceptible to accrual are property taxes, special assessments, and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The Village has elected not to follow subsequent private-sector guidance.

5. Budgets and Budgetary Accounting

The General and major Special Revenue Funds' budgets shown as required supplementary information to the financial statements were prepared on a basis consistent with the modified accrual basis used to reflect actual results. The Village employs the following procedures in establishing the budgetary data reflected in the financial statements.

Village of Eagle

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

NOTE A: DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

- a. The Clerk submits to the Village Council the proposed operating budgets for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and resources to finance them.
- b. A Public Hearing is conducted to obtain taxpayers' comments.
- c. Prior to April 1, the budget is legally adopted with passage by Council vote.
- d. The budget is legally adopted at the activity level for the General Fund and the Special Revenue Funds.
- e. After the budget is adopted all transfers of budgeted amounts between accounts within a fund or activity or any revisions that alter the total expenditures of a fund or activity must be approved by the Village Council.
- f. The Village does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds. Appropriations unused at March 31 are not carried forward to the following fiscal year.
- g. Budgeted amounts are reported as originally adopted or as amended by the Village Council during the year. Individual amendments were appropriately approved by the Village Council in accordance with required procedures.

6. Cash, cash equivalents, and investments

Cash and cash equivalents consist of checking accounts. The cash and cash equivalents are recorded at market value.

Investments include U.S. government securities and certificates of deposit with original maturities of greater than 90 days from the date of purchase. All investments are stated at market value.

7. Property Tax

The Village of Eagle bills and collects its own property taxes. The Village's property tax revenue recognition policy and related tax calendar disclosures are highlighted in the following paragraph.

Property taxes are levied by the Village of Eagle on July 1 and are payable without penalty through September 15. All real property taxes not paid to the Village by September 15 are turned over to the Clinton County Treasurer for collection. The Clinton County Treasurer remits payments to all taxing districts on any delinquent real property taxes. Delinquent personal property taxes are retained by the Village for subsequent collection. Village property tax revenues are recognized as revenues in the fiscal year levied.

The Village is permitted to levy taxes up to 15 mills (approximately \$15 per \$1,000 of assessed valuation) for general governmental services. For the year ended March 31, 2008, the Village levied 5.306 mills for general governmental services. The total taxable value for the 2007 levy for property within the Village was \$2,567,522.

8. Interfund Transactions

During the course of normal operations, the Village has numerous transactions between funds, including expenditures and transfers of resources to provide services and construct assets. The accompanying financial statements generally reflect such transactions as transfers.

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

NOTE A: DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

9. Capital Assets

Capital assets include land, streets, and equipment and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities column. Capital assets are those with an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. The Village was allowed to, and elected to, report infrastructure (streets, bridges, etc.) prospectively beginning with the fiscal year ended March 31, 2006, and will not retroactively accumulate financial data for infrastructure in place prior to that fiscal year.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Machinery and equipment	5 - 15 years
Infrastructure	20 years

10. Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements since their inclusion would make the statements unduly complex and difficult to read.

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS

In accordance with Michigan Compiled Laws, the Village of Eagle is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration, but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or Federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Village of Eagle

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities, issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Deposits

There is a custodial credit risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. As of March 31, 2008, the carrying amount of the Village's deposits were \$321,921 and the bank balance was \$321,921. As of March 31, 2008 the Village's accounts were insured by the FDIC for \$219,430 and the remaining amount of \$102,491 was uninsured and uncollateralized.

Due to significantly higher cash flow at certain periods during the year, the amount the Village held as cash and cash equivalents increased significantly. As a result, the amount of uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

Investments

As of March 31, 2008, the market values, which are the carrying values for each investment, are as follows:

<u>INVESTMENT TYPE</u>	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Moody's Rating</u>	<u>Maturity</u>
PRIMARY GOVERNMENT				
Federal Home Loan Mortgage Corporation Bonds	\$ 82,280	\$ 82,280	Aaa	4.7 years

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's).

Interest rate risk

The Village has not adopted a policy that indicates how the Village will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates.

Concentration of credit risk

The Village has not adopted a policy that indicates how the Village will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Village's investment in a single issuer.

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the financial statements, based upon criteria disclosed in Note A. The following summarizes the categorization of these amounts as of March 31, 2008:

Cash and cash equivalents	\$ 79,512
Investments	<u>324,689</u>
	<u>\$ 404,201</u>

Village of Eagle

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

NOTE C: INTERFUND TRANSFERS

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

Transfers to Local Street Fund from:

General Fund	\$ 10,000
Major Street Fund	<u>7,000</u>
	<u>\$ 17,000</u>

NOTE D: CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2008 was as follows:

	Balance <u>April 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>March 31, 2008</u>
Capital assets not being depreciated				
Land	\$ 31,525	\$ -	\$ -	\$ 31,525
Capital assets being depreciated				
Equipment	13,033	-	-	13,033
Infrastructure	<u>43,327</u>	<u>16,831</u>	<u>-</u>	<u>60,158</u>
Subtotal	56,360	16,831	-0-	73,191
Less accumulated depreciation for:				
Equipment	(2,769)	(966)	-	(3,735)
Infrastructure	<u>(2,669)</u>	<u>(2,628)</u>	<u>-</u>	<u>(5,297)</u>
Subtotal	<u>(5,438)</u>	<u>(3,594)</u>	<u>-0-</u>	<u>(9,032)</u>
Net capital assets being depreciated	<u>50,922</u>	<u>13,237</u>	<u>-0-</u>	<u>64,159</u>
Net capital assets	<u>\$ 82,447</u>	<u>\$ 13,237</u>	<u>\$ -0-</u>	<u>\$ 95,684</u>

Depreciation expense was charged to the following governmental activities:

General government	\$ 174
Public works	<u>3,420</u>
Total depreciation expense	<u>\$ 3,594</u>

NOTE E: RISK MANAGEMENT

The Village carries commercial insurance for various risks of loss including general liability, property, bonding, and worker's compensation losses.

Village of Eagle

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

NOTE F: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Michigan Public Act 621 of 1978, Sections 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amounts appropriated.

In the required supplementary information to the financial statements, the Village's budgeted expenditures in the General and major Special Revenue Funds have been shown at the functional classification level. The approved budgets of the Village have been adopted at the activity level for the General Fund and the fund level for the Special Revenue Funds.

During the year ended March 31, 2008, the Village incurred expenditures in the General Fund and Special Revenue Funds in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
General government			
Treasurer	\$ 850	\$ 901	\$ 51
Clerk	900	1,063	163
Public works	6,100	8,732	2,632
Major Street Fund	6,550	10,943	4,393
Local Street Fund	12,100	17,927	5,827

NOTE G: RESTRICTED NET ASSETS

Restrictions of net assets shown in the government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes. The following is the net asset restriction as of March 31, 2008:

PRIMARY GOVERNMENT

 Governmental activities

 Restricted for streets and highways \$ 13,160

REQUIRED SUPPLEMENTARY INFORMATION

Village of Eagle

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2008

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 14,000	\$ 14,000	\$ 13,627	\$ (373)
Intergovernmental	10,500	10,500	10,221	(279)
Interest and rents	25,000	25,000	24,136	(864)
TOTAL REVENUES	49,500	49,500	47,984	(1,516)
EXPENDITURES				
Current				
General government				
Council	2,000	2,000	1,700	300
President	725	725	725	-0-
Clerk	900	900	1,063	(163)
Treasurer	850	850	901	(51)
Total general government	4,475	4,475	4,389	86
Public works				
Maintenance	500	500	160	340
Streetlights	3,600	3,600	3,708	(108)
Other	2,000	2,000	4,864	(2,864)
Total public works	6,100	6,100	8,732	(2,632)
Other				
Contracted services	1,000	1,000	932	68
Insurance	1,350	1,350	1,306	44
Total other	2,350	2,350	2,238	112
TOTAL EXPENDITURES	12,925	12,925	15,359	(2,434)
EXCESS OF REVENUES OVER EXPENDITURES	36,575	36,575	32,625	(3,950)
OTHER FINANCING USES				
Transfer out	(10,000)	(10,000)	(10,000)	-0-
NET CHANGE IN FUND BALANCE	26,575	26,575	22,625	(3,950)
Fund balance, beginning of year	370,691	370,691	370,691	-0-
Fund balance, end of year	\$ 397,266	\$ 397,266	\$ 393,316	\$ (3,950)

Village of Eagle

Major Street Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2008

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Intergovernmental - State	\$ 9,000	\$ 9,000	\$ 8,937	\$ (63)
EXPENDITURES				
Public works	<u>4,300</u>	<u>4,300</u>	<u>3,943</u>	<u>357</u>
EXCESS OF REVENUES OVER EXPENDITURES	4,700	4,700	4,994	294
OTHER FINANCING USES				
Transfer out	<u>(2,250)</u>	<u>(2,250)</u>	<u>(7,000)</u>	<u>(4,750)</u>
NET CHANGE IN FUND BALANCE	2,450	2,450	(2,006)	(4,456)
Fund balance, beginning of year	<u>7,294</u>	<u>7,294</u>	<u>7,294</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 9,744</u>	<u>\$ 9,744</u>	<u>\$ 5,288</u>	<u>\$ (4,456)</u>

Village of Eagle

Local Street Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2008

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Intergovernmental - State	\$ 4,000	\$ 4,000	\$ 3,960	\$ (40)
EXPENDITURES				
Public works	<u>12,100</u>	<u>12,100</u>	<u>17,927</u>	<u>(5,827)</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	(8,100)	(8,100)	(13,967)	(5,867)
OTHER FINANCING SOURCES				
Transfer in	<u>12,250</u>	<u>12,250</u>	<u>17,000</u>	<u>4,750</u>
NET CHANGE IN FUND BALANCE	4,150	4,150	3,033	(1,117)
Fund balance, beginning of year	<u>4,839</u>	<u>4,839</u>	<u>4,839</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 8,989</u>	<u>\$ 8,989</u>	<u>\$ 7,872</u>	<u>\$ (1,117)</u>

Principals

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MANAGEMENT LETTER

To the Honorable President and
Members of the Village Council
Village of Eagle
Eagle, Michigan

As you know, we have recently completed our audit of the records of the Village of Eagle, Michigan as of and for the year ended March 31, 2008. In connection with the audit, we wanted to make you aware of an upcoming change the Village will need to consider in the near future. This comment is a result of our evaluation of internal controls and our discussions with management.

Transfers between Major and Local Street Funds

Public Act 9 of 2004 allows a governmental unit to transfer surplus Major Street system funds for the preservation of the Local Street system. This authorization will end December 31, 2008. Effective January 1, 2009, Major Street funds may not be transferred to Local Streets except to the extent matched by local revenues expended on the Major Street system of State Trunkline highways.

We suggest the Village consider this when they plan for the budget process for 2009.

This item was considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the financial statements. This item did not affect our report on the financial statements dated August 18, 2008.

This report is intended solely for the information of management and the President and Members of the Village Council of the Village of Eagle and is not intended to be, and should not be, used by anyone other than these specified parties.

We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss this suggestion or the other audit comments with you and to provide assistance in the implementation of improvements.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

August 18, 2008

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS**

To the Honorable President and
Members of the Village Council
Village of Eagle
Eagle, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the Village of Eagle, as of and for the year ended March 31, 2008, which collectively comprise the Village's basic financial statements, and have issued our report thereon dated August 18, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

PREPARATION OF FINANCIAL STATEMENTS

Effective for all audits of fiscal years ended December 31, 2006 and thereafter, Statement on Auditing Standards No. 112 titled *Communicating Internal Control Related Matters Identified in an Audit*, requires us to communicate when a client requires assistance in the preparation of financial statements and the related footnotes that are required in accordance with accounting principles generally accepted in the United States of America. Throughout the year the Village prepares monthly financial reporting at the fund level. The annual audited financial statements for the year ended March 31, 2008 for the Village required few audit adjustments.

The staff at the Village of Eagle understands substantially all of the information included in the financial statements, and as such are able to take responsibility for the content. However, the presentation of financial statements in accordance with generally accepted accounting principles also includes the preparation of government-wide financial statements and note disclosures. Currently the government-wide financial statements and note disclosures are prepared during the audit process.

PREPARATION OF FINANCIAL STATEMENTS - CONTINUED

We are communicating these circumstances as required by professional standards, and do not see a need for any change in the situation at this time.

FRAUD RISK MANAGEMENT PROGRAM

During the course of our audit, we noted that the Village has not developed or implemented a fraud risk management program. Management is responsible for the detection and prevention of fraud, misappropriations, and other inappropriate conduct. Fraud is defined as the intentional, false representation or concealment of a material fact for the purpose of inducing another to act upon it to his or her injury. Each member of the management team should be familiar with the types of improprieties that might occur within his or her area of responsibility, and be alert for any indication of irregularity.

Due to the Village not developing a fraud risk assessment and monitoring program it is unable to assess the Village's vulnerabilities to fraudulent activity and whether any of those exposures could result in material misstatement of the financial statements.

We recommend that the Village develop and formally implement a fraud risk management program that is appropriate to the size and complexity of the organization. Such a fraud risk management program may involve actively searching for fraudulent transactions through the use of techniques such as data mining, but should also include informing management and employees as to the nature of fraud and actions expected to be taken if fraud is suspected. This would include publishing a definition of fraud, a statement that fraud will not be tolerated within the organization, and instructions for reporting fraud within the chain of command.

MANAGEMENT DISCUSSION AND ANALYSIS

The Governmental Accounting Standards Board (GASB) has determined that it is necessary for governmental entities to supplement their basic financial statements with a management's discussion and analysis (MD&A), which would be an analysis of the financial performance for the year. The Village has not presented a management's discussion and analysis.

It has historically been common for many smaller governments to omit a MD&A. As a result, management's understanding and views of the financial statements are not readily available for reader's. Because the Village has not presented a management's discussion and analysis, an explanatory paragraph has been added to the Independent Auditor's Report on the Village's financial statements. We are communicating these circumstances as required by professional standards.

We recommend the Village Council consider the benefits of preparing a MD&A as well as the related costs to do so.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiencies described below are material weaknesses.

SEGREGATION OF DUTIES

During our consideration and assessment of fraud risk, we noted that the Village may not have sufficient segregation of duties in its accounting structure. The intent of internal control is to assure that no one individual or group of individuals be able to control all aspects of a transaction cycle (i.e., receipts, disbursements, etc.). This issue was noted and reported in our prior audit comments.

While this is a common occurrence in smaller organizations due to the limited number of employees, the Village Council should realize that a greater risk in safeguarding assets exists if duties and responsibilities are not appropriately arranged and separated.

SEGREGATION OF DUTIES - CONTINUED

We recommend that the Village review various areas of operation and consider additional segregation of duties. If duties cannot be adequately segregated due to the limited number of employees, we recommend appropriate members of the Village Council provide a greater review and supervision of employee functions and procedures.

DOUBLE ENTRY ACCOUNTING SYSTEM

During the course of our audit we noted that the Village does not utilize a double entry general ledger accounting system to record its financial transactions. In order to accurately track accounting information, and to aid in the generation of financial reports, this type of system is necessary.

We recommend the Village establish and implement a double entry general ledger to account for all financial transactions and to facilitate financial reporting. We further suggest that significant balance sheet accounts, such as investments, accounts receivable, and accounts payable be periodically analyzed and recorded in the general ledger system.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed the following instances of noncompliance or other matters.

BUDGETS

As noted in the required supplementary information, some of the activities of the Village exceeded the amounts appropriated. The variances noted were in the General Fund, Major Street Fund, and Local Street Fund. This issue was noted and reported in our prior audit comments.

Michigan Public Act 621 of 1978, as amended, provides that the Village adopt formal budgets for all applicable General and Special Revenue Funds, and shall not incur expenditures in excess of the amounts appropriated. Also, the Public Act requires amendments to be performed prior to incurring additional expenditures. The Act also prohibits the Village from appropriating more funds for expenditure than is available through current revenue sources and any accrued surplus or deficit from previous years.

We recommend the Village monitor expenditures against adopted budgets and make appropriate budget amendments as needed.

WRITTEN PROCEDURES AND POLICIES

Based on our discussions with management, we noted that the Village has not formally adopted written procedures and policies for several areas of operation. This issue was noted and reported in our prior audit comments. Documenting specific policies and procedures allows employees to have a clearer understanding of management's expectations. It also allows management to have greater oversight over those areas over which they are responsible. Specifically, we recommend that the Village develop, formally adopt, and implement written procedures and policies in the following areas:

- a. Disaster recovery plan - We recommend the Village adopt a disaster recovery plan. The plan should identify areas of operation that are critical to the Village and detail how the Village would continue to operate in the absence of those critical areas of operation.
- b. Code of conduct - We recommend the Village adopt a code of conduct. The code should include a policy on conflicts of interest and the Village should require employees and Council members to periodically make a declaration of compliance.
- c. Capital asset policy - We recommend the Village adopt a capital asset policy which establishes a threshold for defining capital assets, authorizing the methods for acquiring and disposing of capital assets, and establishing useful lives and depreciation methods for each asset.

INVESTMENT POLICY

During the course of our audit and through discussions with management, it was noted that the Village has not adopted an investment policy to address the issues required by Michigan Compiled Law (MCL) and that addresses the various areas of risk as described by GASB Statement No. 40. Deposit and investment resources often represent significant assets of the Village's funds. These resources are necessary for the delivery of the Village's services. Effective for the year ended March 31, 2006, GASB Statement No. 40 is designed to inform financial statement users about deposit and investment risks that could affect the Village's ability to provide services and meet its obligations as they become due. This issue was noted and report in our prior audit comments.

We recommend the Village adopt an investment policy as required by MCL that also addresses custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk, if applicable. Such policies are required to be disclosed in the notes to the Village's financial statements by GASB Statement No. 40.

This report is intended solely for the information and use of management, the President and Members of the Village Council of the Village of Eagle, others within the Village, and applicable departments of the State of Michigan and is not intended to be and should not be used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

August 18, 2008